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INFO RUEHBJ/AMEMBASSY BEIJING 1408
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RUEHHK/AMCONSUL HONG KONG 1011
RUEHSH/AMCONSUL SHENYANG 0887
RUEHIN/AIT TAIPEI 0708
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RUEHKO/AMEMBASSY TOKYO 0205
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SUBJECT: AMBASSADOR MEETS SHANGHAI MAYOR AND ATTENDS AMCHAM
GOVERNMENT APPRECIATION DINNER

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use only. Not for distribution outside of USG channels or via
the internet.

¶1. (SBU) Summary: On September 6, the Ambassador, together with
former Secretary of Commerce Don Evans, met with Shanghai Mayor
Han Zheng. Following the meeting, the three officials offered
remarks at AmCham Shanghai's 7th Annual Government Appreciation
Dinner attended by 120 Shanghai and provincial government
participants and over 300 AmCham members -- a record-breaking
turnout. The Mayor outlined Shanghai's continuing rapid
economic development and the important role U.S. investment and
trade plays in the city's economy. The Ambassador thanked
Shanghai for its support for U.S. business and welcomed
continued cooperation with AmCham and its member companies. He
also urged greater enforcement of intellectual property rights
and food and product safety standards as well as greater opening
of the financial services sector. Former Secretary Evans noted
that China could best modernize its financial services sector by
further opening to foreign competition. End summary.

Win - Win Results with U.S. Businesses

¶2. (SBU) The Mayor welcomed the contributions that U.S.
investors and businesses have made to Shanghai's economic
development and added that cooperation with U.S. businesses has
produced win-win results. Han said that the U.S.-Shanghai
business partnership is one of the closest in the world, noting
that there are over 5,500 U.S. investment projects in the city

with a cumulative total investment of USD 11.2 billion. U.S. invested companies in Shanghai thus account for approximately one-eighth of the total of 40,000 foreign invested companies in Shanghai. Local U.S. businesses also account for a large proportion of Shanghai's imports and exports.

Shanghai Doing Well

13. (SBU) Mayor Han summarized the most recent economic figures this year for the municipality and was happy to announce that Shanghai is "doing well." Through August 2007, Shanghai's GDP growth reached 13.1 percent and FDI grew by 10 percent over the same period last year. Exports also rose, increasing by 20 percent. Consumer retail sales were up 14 percent as was urban capita disposable income; rural per capita disposable income was up 10 percent. Meanwhile, the consumer price index had risen by only 2.2 percent and unemployment had dropped by 0.2 percent. (Note: During the dinner, Han offered slightly different numbers: a 12 percent rise in consumer retail sales; and an 11 percent rise in rural disposable incomes. End note.)

A Busy Season for Shanghai

14. (SBU) The Mayor stated that Shanghai is entering a busy season for the next few months. It will host the FIFA Women's World Cup on September 10, a Formula 1 race later in the month, the Special Olympics in October, and several other major events. He welcomed the Ambassador's participation at the Special Olympics and thanked the President for his support of the Torch

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Run event in Washington, D.C. Han joked that with all of these high-profile events going on in the municipality, the Ambassador might want to consider setting up an office in Shanghai. Former Secretary Evans expressed appreciation for Shanghai's

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willingness to host the Special Olympics, noting that the event is much like trade: everyone who participates wins.

15. (SBU) The Ambassador acknowledged the Mayor's busy schedule and thanked Han for taking the time to attend the Amcham event. The Ambassador noted that the large number of Shanghai government officials attending the dinner is a tangible symbol of the Shanghai government's support for U.S. businesses.

Push the Relationship Forward, Reject Isolationism

16. (SBU) In his dinner remarks, the Ambassador noted that U.S. companies make a meaningful contribution to Shanghai's economic growth. He acknowledged that the bilateral trading relationship faces critics in both countries. The best response to U.S. criticism would be for China to do more to protect and enforce intellectual property rights, improve and enforce food and product safety standards, and take additional steps to open up the financial services sector. He noted that the upcoming meetings of the Joint Commission on Commerce and Trade and the Strategic Economic Dialogue will present opportunities to push forward bilateral economic relations.

17. (SBU) Former Commerce Secretary and current CEO of the Financial Services Forum, Don Evans, noted that over the past four years, the United States and China together have accounted for more than half of the world's economic growth. China is the United States' second largest trading partner, and its fastest growing. Open commerce, Evans said, is a win-win situation for both countries and is never a zero-sum game. The world has nothing to fear from China's economic growth which, in fact,

creates opportunities for U.S. businesses and U.S. workers. To fully enjoy the benefits of trade, however, we must reject protectionism by either side. For example, Evans said, the fastest way for China to modernize its financial services sector is to open it further to foreign competition. That will allow China to utilize foreign firms' expertise and talents to benefit China's consumers.

Developing a Dynamic City

18. (SBU) Speaking without any notes, Mayor Han gave an overview of Shanghai's economic policy objectives and infrastructure expansion plans. He explained that in accordance with Central Government directives, Shanghai is drawing on the best practices of all regions and cities to become an economic center, a financial center, a trade center, and a shipping center. Shanghai is focused on innovation as the future driver of economic growth. To make Shanghai more dynamic, its businesses -- both foreign and domestic -- must be more dynamic. To that end, Shanghai is committed to improving education to provide talent for businesses seeking to locate in the municipality, and Shanghai is committed to protecting the environment.

19. (SBU) Shanghai is also focused on improving its infrastructure. By 2010, the combined passenger capacity at Pudong and Hongqiao airports will be 80 million people. By 2012, they will be able to handle 100 million people and 8 million tons of air cargo per year. Shanghai's seaport is expected to handle 26 million TEUs this year alone. Shanghai is

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also focusing on improving regional transportation links with the 15 other cities within the Yangtze River Delta region. By 2010, there will be 8,000 kilometers of highway linking all of the major cities together. Han noted that there are currently 120 subway stations under construction in Shanghai. By 2010, Shanghai will have 400 kilometers of subway lines, compared to the current 130 kilometers. By 2012, that will have increased to 500 kilometers of subway lines in operation.
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